# ATS OF GOVERNMENT CONTRACTS



BY THE

UNITED STATES GENERAL ACCOUNTING OFFICE STATES

# AUDITS OF GOVERNMENT CONTRACTS



BY THE

UNITED STATES GENERAL ACCOUNTING OFFICE

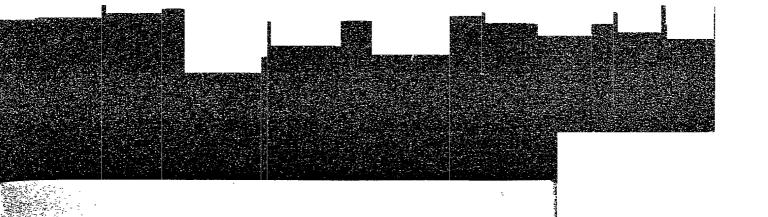
## Foreword

An important part of the overall audit responsibility of the United States General Accounting Office, as an agent of the Congress, is the auditing of contracts negotiated by the departments and agencies of the Federal Government.

The accompanying booklet has been prepared primarily for the information of Government contractors whose contracts are subject to audit by the General Accounting Office. It presents information on the authority, purposes, objectives, and related auditing and reporting policies and practices of the General Accounting Office incident to carrying out its audit responsibilities.

Comptroller General

of the United States.



## Contents

Introduction. What the General Accounting Office Is. Organization. Authority to Make Contract Audits. Reasons for Contract Audits. Basic Audit Policy Relation to Contracting Agency Auditing Selection of Contracts for Audit. Conduct of Audit Work. Initial arrangements Preliminary survey and review work. Continuing audit work. Right of access to contractor records for audit purposes. Final conference at contractor location. Reporting Policies and Practices. Primary reporting responsibility. Nature of reports. Preparation of preliminary drafts of reports. Advance review by contracting agency and by contractor. Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports. International Programs Involving Contracts. Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Budget and Accounting Office. Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67). Armed Services Procurement Act (10 U.S.C. 2313(b)). Federal Property and Administrative Services Act (41 U.S.C. 254(c)). Atomic Energy Act (42 U.S.C. 2206)		. **
Organization.  Authority to Make Contract Audits.  Reasons for Contract Audits.  Basic Audit Policy.  Relation to Contracting Agency Auditing.  Selection of Contracts for Audit.  Conduct of Audit Work.  Initial arrangements.  Preliminary survey and review work.  Continuing audit work.  Right of access to contractor records for audit purposes.  Final conference at contractor location.  Reporting Policies and Practices.  Primary reporting responsibility.  Nature of reports.  Preparation of preliminary drafts of reports.  Advance review by contracting agency and by contractor.  Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b)).  Federal Property and Administrative Services Act (41)	Introduction	· · · · · · · · · · · · · · · · · · ·
Organization.  Authority to Make Contract Audits.  Reasons for Contract Audits.  Basic Audit Policy.  Relation to Contracting Agency Auditing.  Selection of Contracts for Audit.  Conduct of Audit Work.  Initial arrangements.  Preliminary survey and review work.  Continuing audit work.  Right of access to contractor records for audit purposes.  Final conference at contractor location.  Reporting Policies and Practices.  Primary reporting responsibility.  Nature of reports.  Preparation of preliminary drafts of reports.  Advance review by contracting agency and by contractor.  Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b)).  Federal Property and Administrative Services Act (41)	What the General Account	ing Office Is
Authority to Make Contract Audits Reasons for Contract Audits Basic Audit Policy Relation to Contracting Agency Auditing Selection of Contracts for Audit. Conduct of Audit Work.  Initial arrangements. Preliminary survey and review work. Continuing audit work. Right of access to contractor records for audit purposes. Final conference at contractor location. Reporting Policies and Practices. Primary reporting responsibility. Nature of reports. Preparation of preliminary drafts of reports. Advance review by contracting agency and by contractor. Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports. International Programs Involving Contracts Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Budget and Accounting Office. Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b)). Federal Property and Administrative Services Act (41		
Reasons for Contract Audits Basic Audit Policy Relation to Contracting Agency Auditing Selection of Contracts for Audit. Conduct of Audit Work Initial arrangements Preliminary survey and review work Continuing audit work Right of access to contractor records for audit purposes Final conference at contractor location Reporting Policies and Practices Primary reporting responsibility Nature of reports Preparation of preliminary drafts of reports Advance review by contracting agency and by contractor Review and disposition of advance comments. Confidential business data Recommendations in reports Distribution of reports. International Programs Involving Contracts Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Budget and Accounting Office. Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67). Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		
Basic Audit Policy Relation to Contracting Agency Auditing. Selection of Contracts for Audit. Conduct of Audit Work.  Initial arrangements. Preliminary survey and review work. Continuing audit work. Right of access to contractor records for audit purposes. Final conference at contractor location. Reporting Policies and Practices. Primary reporting responsibility. Nature of reports. Preparation of preliminary drafts of reports. Advance review by contracting agency and by contractor. Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports. International Programs Involving Contracts. Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Budget and Accounting Office. Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67) Armed Services Procurement Act (10 U.S.C. 2313(b)). Federal Property and Administrative Services Act (41		
Relation to Contracting Agency Auditing.  Selection of Contracts for Audit.  Conduct of Audit Work.  Initial arrangements.  Preliminary survey and review work.  Continuing audit work.  Right of access to contractor records for audit purposes.  Final conference at contractor location.  Reporting Policies and Practices.  Primary reporting responsibility.  Nature of reports.  Preparation of preliminary drafts of reports.  Advance review by contracting agency and by contractor.  Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b)).  Federal Property and Administrative Services Act (41		
Selection of Contracts for Audit.  Conduct of Audit Work.  Initial arrangements.  Preliminary survey and review work.  Continuing audit work.  Right of access to contractor records for audit purposes.  Final conference at contractor location.  Reporting Policies and Practices.  Primary reporting responsibility.  Nature of reports.  Preparation of preliminary drafts of reports.  Advance review by contracting agency and by contractor.  Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)		
Conduct of Audit Work.  Initial arrangements. Preliminary survey and review work. Continuing audit work. Right of access to contractor records for audit purposes. Final conference at contractor location.  Reporting Policies and Practices. Primary reporting responsibility. Nature of reports. Preparation of preliminary drafts of reports. Advance review by contracting agency and by contractor. Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports.  International Programs Involving Contracts. Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67) Armed Services Procurement Act (10 U.S.C. 2313(b)). Federal Property and Administrative Services Act (41		
Initial arrangements. Preliminary survey and review work. Continuing audit work. Right of access to contractor records for audit purposes. Final conference at contractor location.  Reporting Policies and Practices. Primary reporting responsibility. Nature of reports. Preparation of preliminary drafts of reports. Advance review by contracting agency and by contractor. Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports.  International Programs Involving Contracts. Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office. Budget and Accounting Office. Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67). Armed Services Procurement Act (10 U.S.C. 2313(b)). Federal Property and Administrative Services Act (41		
Preliminary survey and review work.  Continuing audit work.  Right of access to contractor records for audit purposes.  Final conference at contractor location.  Reporting Policies and Practices.  Primary reporting responsibility.  Nature of reports.  Preparation of preliminary drafts of reports.  Advance review by contracting agency and by contractor.  Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b)).  Federal Property and Administrative Services Act (41		
Continuing audit work Right of access to contractor records for audit purposes Final conference at contractor location  Reporting Policies and Practices Primary reporting responsibility Nature of reports.  Preparation of preliminary drafts of reports Advance review by contracting agency and by contractor Review and disposition of advance comments.  Confidential business data Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		·
Right of access to contractor records for audit purposes. Final conference at contractor location.  Reporting Policies and Practices. Primary reporting responsibility. Nature of reports. Preparation of preliminary drafts of reports. Advance review by contracting agency and by contractor. Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports.  International Programs Involving Contracts. Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67). Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		
Final conference at contractor location  Reporting Policies and Practices Primary reporting responsibility Nature of reports Preparation of preliminary drafts of reports Advance review by contracting agency and by contractor Review and disposition of advance comments Confidential business data Recommendations in reports Distribution of reports  International Programs Involving Contracts Exceptions and Disallowances by the General Accounting Office Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office  Budget and Accounting Office  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67) Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		
Reporting Policies and Practices Primary reporting responsibility Nature of reports Preparation of preliminary drafts of reports Advance review by contracting agency and by contractor Review and disposition of advance comments Confidential business data Recommendations in reports Distribution of reports Distribution of reports Exceptions and Disallowances by the General Accounting Office Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office  Budget and Accounting Office  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67) Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		
Primary reporting responsibility Nature of reports.  Preparation of preliminary drafts of reports Advance review by contracting agency and by contractor Review and disposition of advance comments. Confidential business data Recommendations in reports. Distribution of reports.  International Programs Involving Contracts Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		
Nature of reports.  Preparation of preliminary drafts of reports.  Advance review by contracting agency and by contractor.  Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
Preparation of preliminary drafts of reports  Advance review by contracting agency and by contractor  Review and disposition of advance comments  Confidential business data  Recommendations in reports  Distribution of reports  Distribution of reports  Exceptions and Disallowances by the General Accounting Office  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office  Budget and Accounting Office  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		•
Advance review by contracting agency and by contractor Review and disposition of advance comments. Confidential business data. Recommendations in reports. Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53).  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)		
Review and disposition of advance comments.  Confidential business data.  Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts.  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
Confidential business data Recommendations in reports Distribution of reports International Programs Involving Contracts Exceptions and Disallowances by the General Accounting Office. Appendix Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Office.  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67) Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41		
Recommendations in reports.  Distribution of reports.  International Programs Involving Contracts  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53).  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41	-	
Distribution of reports.  International Programs Involving Contracts  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53).  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67).  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
International Programs Involving Contracts  Exceptions and Disallowances by the General Accounting Office.  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53).  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
Exceptions and Disallowances by the General Accounting Office  Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office  Budget and Accounting Act, 1921 (31 U.S.C. 53)  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
Appendix  Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53)  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
Excerpts from laws assigning audit authority and responsibility to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53)  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41	<del>-</del>	
to the General Accounting Office.  Budget and Accounting Act, 1921 (31 U.S.C. 53)  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		gning audit authority and responsibility
Budget and Accounting Act, 1921 (31 U.S.C. 53)  Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)  Armed Services Procurement Act (10 U.S.C. 2313(b))  Federal Property and Administrative Services Act (41		
Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)		
Armed Services Procurement Act (10 U.S.C. 2313(b)) Federal Property and Administrative Services Act (41	Budget and Accour	nting Procedures Act of 1950 (31 U.S.C.
Federal Property and Administrative Services Act (41	Armed Services Pro	curement Act (10 U.S.C. 2313(b))
U.S.C. 254(c))	Federal Property	and Administrative Services Act (41
Atomic Energy Act (42 U.S.C. 2206)	U.S.C. 254(c))	
	Atomic Energy Act	(42 U.S.C. 2206)
Anti-Kickback Act (41 U.S.C. 53)	Anti-Kickback Act	(41 U.S.C. 53)

# Audits of Government Contracts by the United States General Accounting Office

#### INTRODUCTION

The departments and agencies of the Federal Government spend billions of dollars each year to procure by contract property and services for use in their programs and activities.

These programs and activities and the related expenditures are authorized by the Congress. One of the control procedures that the Congress has established is the authorization for the General Accounting Office, as its agent, to make independent examinations of the affairs of the departments and agencies and of the records of contractors having negotiated contracts and to report significant information resulting from such work.

This booklet has been prepared primarily for the information of Government contractors whose contracts are subject to audit by the General Accounting Office. Its purpose is to explain generally the authority vested in the General Accounting Office and the policies and practices followed in carrying out and reporting on its examinations.

#### WHAT THE GENERAL ACCOUNTING OFFICE IS

The General Accounting Office is an independent agency in the legislative branch of the Federal Government under the control and direction of the Comptroller General of the United States. It was established in 1921 by an act of Congress—the Budget and Accounting Act, 1921.

That act provided that the head of this Office, the Comptroller General of the United States, be appointed by the President of the United States for a term of 15 years, subject to confirmation by the Senate. To further assure independence, the law precludes reappointment of the Comptroller General or his removal by executive action.

The General Accounting Office was created by the Congress to carry out several functions relating to the management of the Government's financial affairs. One of its major functions is to make independent audits of the activities of Federal Government departments and agencies.

This function requires examining into the manner in which Government agencies discharge their financial responsibilities, including the administration of funds, property, and personnel, in an effective, efficient, and economical manner. This function also requires examining into certain contract activities and, in recognition of this, the Congress has required that negotiated contracts contain clauses providing for General Accounting Office access to pertinent records of Government contractors.

#### **ORGANIZATION**

The headquarters of the located in Washington, D.C. number of divisions and office chart shown on page 4.

Most of its contract audit diate direction of regional offi States. These offices are org Operations Division. The most the regional offices and the

The International Operational offices in Frankfurt, Germany,

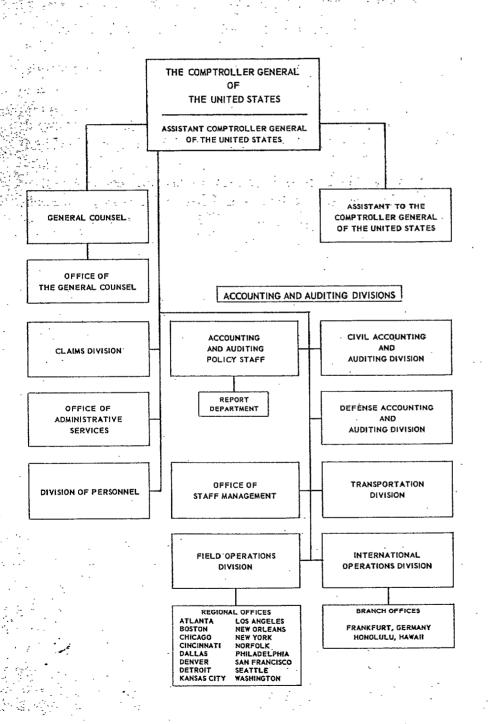
#### **ORGANIZATION**

The headquarters of the General Accounting Office are located in Washington, D.C. The Office is organized into a number of divisions and offices as illustrated in the organization chart shown on page 4.

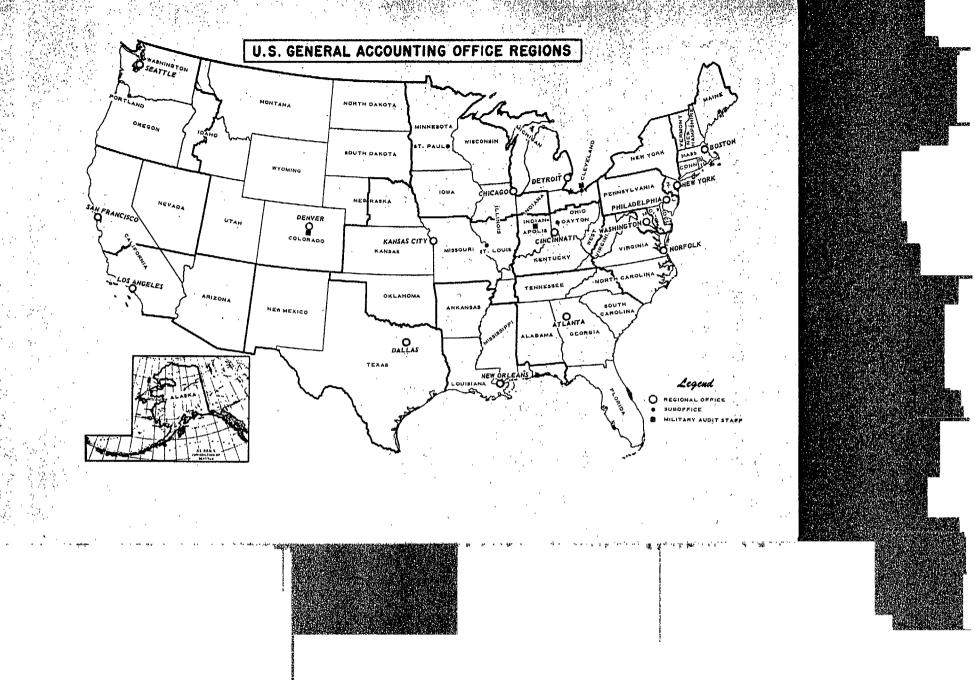
Most of its contract audit work is performed under the immediate direction of regional offices located throughout the United States. These offices are organizationally a part of the Field Operations Division. The map on page 5 shows the locations of the regional offices and the regional boundaries.

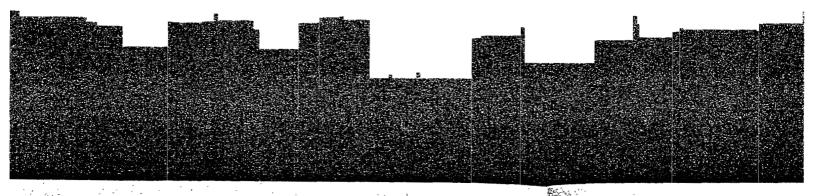
The International Operations Division has foreign branch offices in Frankfurt, Germany, and Honolulu, Hawaii.

#### UNITED STATES GENERAL ACCOUNTING OFFICE.









#### **AUTHORITY TO MAKE CONTRACT AUDITS**

Most audits at contractors' plants by the General Accounting Office are made under the general authority of the following laws:

Budget and Accounting Act, 1921 (31 U.S.C. 53) Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)

and more specifically under the provisions 1 of the:

Armed Services Procurement Act (10 U.S.C. 2313(b))
Federal Property and Administrative Services Act (41 U.S.C. 254(c))
Atomic Energy Act (42 U.S.C. 2206)

Authority to examine contractors' records is also contained in the Anti-Kickback Act (41 U.S.C. 53).

The Armed Services Procurement Act, the Federal Property and Administrative Services Act, and the Atomic Energy Act require that contracts negotiated without formal advertising include a clause to the effect that the Comptroller General of the United States and his representatives are entitled, until the expiration of 3 years after the date of final payment, to examine books, documents, papers, and records of the contractor, or any subcontractors, that directly pertain to, and involve transactions relating to, the contracts or subcontracts.

The requirement for inclusion of an examination of records clause in negotiated contracts grew out of congressional concern in 1951 over the pricing of negotiated contracts, and the recognition by the Congress of the need for examinations by the General Accounting Office.

#### REASONS FOR CONTRA

A substantial portion of the tures are made for equipmed by contract. Many of these tion, often without benefit of be fixed-price contracts. The redetermination, escalation, may be cost reimbursementate the basis of estimated or act has a direct financial interest in Government-ownerial furnished contractors, are products to be furnished it certain interests in invention work. These factors are incented the Government in negotiate

The particular interest congotiated contracts awarded evidenced by the enactment in Negotiations Act—which to That act provides, with certain be required to furnish cost contracts and the contracts are the price be adjusted for any inaccurate, incomplete, or a contractor.

Public Law 87-653 was : Armed Services Procuremen civil departments and agenc. their contracts.

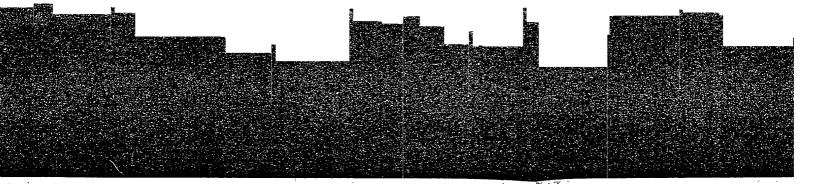
<sup>1</sup> Pertinent excerpts from these laws are quoted in the appendix to this booket.

#### **REASONS FOR CONTRACT AUDITS**

A substantial portion of the Federal Government's expenditures are made for equipment, supplies, and services procured by contract. Many of these contracts are awarded by negotiation, often without benefit of effective competition. They may be fixed-price contracts. They may contain provisions for price redetermination, escalation, or incentive adjustment. They may be cost reimbursement contracts. Many are priced on the basis of estimated or actual costs. Thus, the Government has a direct financial interest in these costs. It also has an interest in Government-owned property, equipment, and material furnished contractors, and in the quality controls over the products to be furnished it under these contracts, as well as certain interests in inventions and other aspects of contracted work. These factors are indicative of the financial interest of the Government in negotiated contracts.

The particular interest of the Congress in the pricing of negotiated contracts awarded without effective competition is evidenced by the enactment of Public Law 87–653—the Truth in Negotiations Act—which became effective December 1, 1962. That act provides, with certain exceptions, that contractors shall be required to furnish cost or pricing data for use in the negotiation of prices. They are required to certify such cost or pricing data and the contracts are required to contain a clause that the price be adjusted for any significant increases resulting from inaccurate, incomplete, or noncurrent data certified to by the contractor.

Public Law 87-653 was enacted as an amendment to the Armed Services Procurement Act, but it is the policy of the civil departments and agencies to also include its provisions in their contracts.



#### BASIC AUDIT POLICY

One of the basic roles of the General Accounting Office is that of an independent auditor whose primary purpose is to examine into the adequacy and effectiveness of the system of management and internal control, including internal audit, which the head of each Federal agency is required to maintain over the activities for which he is responsible. The scope of this interest extends to activities conducted under contract as well as to those which the Government itself conducts. The head of each Federal agency has the responsibility for seeing that contracts are legally entered into, that the prices paid are reasonable, and that the contractors properly discharge their responsibilites under their contracts.

In recognition of the basic difference in responsibility between the heads of Federal agencies and the General Accounting Office and to avoid unnecessary duplication of effort, section 117(a) of the Budget and Accounting Procedures Act of 1950 requires that, in the determination of auditing procedures to be followed and the extent of his examinations, the Comptroller General give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control, and related administrative practices of the Federal agencies.

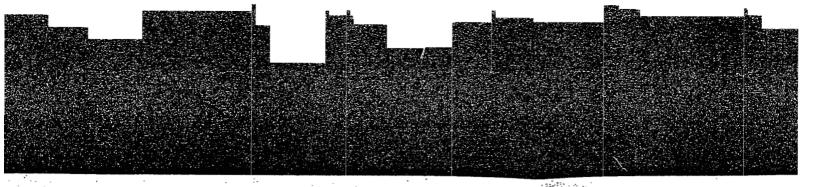
This statutory requirement means that the selection of areas for audit cannot be made on the basis of a uniform application of specific criteria such as dollar size, nature of program, etc. The underlying audit policy, as expressed in law, contemplates the exercise of judgment by the General Accounting Office in determining what is to be audited. Such judgment is exercised on the basis of evaluating the effectiveness of the management controls of the Federal agencies concerned and other pertinent considerations involved such as specific requests or expressions of interest by committees or members of Congress.

While there are a wide variety of reasons why an audit is made in a specific case, the overall objective is to review the manner in which the contracted activities of Federal agencies are administered and to recommend, where appropriate, corrective or improvement actions dee mote greater efficiency or ec

Because of the highly selec the responsibility to use it efficient, and economical m Accounting Office is to direct needing correction or improappropriate correction or in with matters in need of atte reports, thereby increasing t' agency officials responsible for

or improvement actions deemed necessary or desirable to promote greater efficiency or economy in Federal expenditures.

Because of the highly selective nature of the audits made and the responsibility to use its resources in the most effective, efficient, and economical manner, the policy of the General Accounting Office is to direct its audit efforts primarily to matters needing correction or improvement and to the means of effecting appropriate correction or improvement. This primary concern with matters in need of attention carries over to the resulting reports, thereby increasing their usefulness to congressional and agency officials responsible for taking appropriate action.



#### RELATION TO CONTRACTING AGENCY AUDITING

In carrying out its audit work, the General Accounting Office gives full consideration to work done by the audit organizations of the contracting agencies concerned. Those organizations are an integral part of the Government's administrative processes required to be reviewed. Moreover, the scope and effectiveness of the work of agency audit organizations on contracted and agency activities is an important consideration in determining the scope and nature of the audit work to be performed by the General Accounting Office. By reviewing and testing their work, the amount of direct General Accounting Office audit work may be curtailed. However, the fact that agency auditors have performed work in a particular area does not necessarily mean that additional work in that area by the General Accounting Office will not be determined to be needed.

#### SELECTION OF CONTRAC'

In relation to contract actiaudit work is, of necessity, se' contracts or contractors are evto be done, consideration is g or type of contract, the basis pricing data furnished or the variety of other factors affect

Some audit work at contract for information from congression of the Congress. Some audinformation coming to the at Office from previous or current from other sources, such as constructed agency officials, and counting Office.

Information leading to auc sometimes obtained from stuagency management officials.

Contract audits may be participating in a new progimportance. An individual confits particular role, such a simply because it is a subcontrate test the effectiveness of the procurement for the account

Contract audit work may because a contractor is know work under a negotiated co done recently at that location

There are many reasons for individual cases. Underlying of testing the effectiveness of controls which should be or ment's interests.

#### SELECTION OF CONTRACTS FOR AUDIT

In relation to contract activities, General Accounting Office audit work is, of necessity, selective in its application. Not all contracts or contractors are examined. In determining the work to be done, consideration is given to such matters as the size or type of contract, the basis for award, the nature of cost or pricing data furnished or the lack of such data, and to a wide variety of other factors affecting the Government's interest.

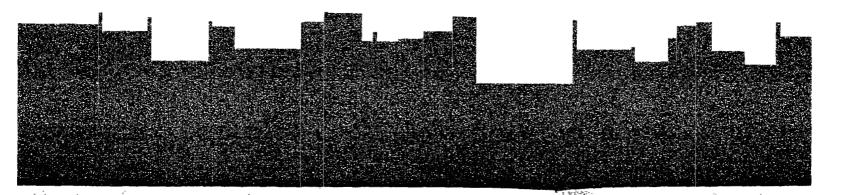
Some audit work at contractor locations stems from requests for information from congressional committees or from members of the Congress. Some audits are undertaken as a result of information coming to the attention of the General Accounting Office from previous or current audit work on other matters or from other sources, such as congressional committees or members, Federal agency officials, and others who have observed matters which they believe warrant the attention of the General Accounting Office.

Information leading to audit work at contractor locations is sometimes obtained from studies or reports made for Federal agency management officials.

Contract audits may be undertaken because a contractor is participating in a new program or in a program of unusual importance. An individual contractor may be selected because of its particular role, such as a weapons system contractor or simply because it is a subcontractor and it is considered necessary to test the effectiveness of the prime contractor's management of procurement for the account of the Government.

Contract audit work may be undertaken in a specific case because a contractor is known to be engaged in Government work under a negotiated contract and no audit work has been done recently at that location.

There are many reasons for deciding to make an audit in individual cases. Underlying all of them is the overall objective of testing the effectiveness of the Federal agency management controls which should be operating to safeguard the Government's interests.



#### CONDUCT OF AUDIT WORK

#### Initial Arrangements

Before an audit is begun, the contractor and the contracting agency of the Federal Government are informed that an audit will be made. At the beginning of each audit, a conference is held with representatives of the contractor to discuss the general nature of the work and to make the necessary working arrangements, such as obtaining space, providing security clearances, and establishing working relationships. Contractor officials of an appropriately high level should participate in these discussions.

#### Preliminary Survey and Review Work

Just as in its audits of Government agencies, the General Accounting Office follows the operating practice of making preliminary surveys and reviews at the outset of its contract audit work as a means of obtaining familiarity with and a working knowledge of the Government contract operations and related records being examined. The information obtained during this phase is carefully studied.

In many cases the conclusion is reached that the information obtained during the preliminary phases does not warrant more detailed audit work. In these cases, contractor officials are so advised and except for a brief "close-out" letter, no formal report is prepared. Letters of this kind do not normally include expressions of opinions as to the reasonableness of contract prices, activities, or other matters examined because the examinations will not have been made in sufficient depth to warrant such opinions.

## Continuing Audit Work

If one or more areas are identified as warranting more detailed examination, the audit work is carried on further. It is an operating practice to discuss the progress of the audit at appropriate times with contractor officials and representatives of the General Accounting Office are available at all times for any additional discussions desired by contractor officials.

Proper evaluation of the detailed examination require information concerning those that all such information be Accounting Office audit staff audit are discussions with individals, particularly whe gresses. Effective communic common understanding and a differing views assists greatly also has an important bearing facilitates the processing of a subsequent preparation of a by contractor officials.

#### Right of Access to Contro

The laws cited on page 6 the Comptroller General : examine contractor records involve transactions relating be audited.

Based on a careful study o lative history, it is the positio with respect to this right t

- 1. The clear intenti things, "to afford a meinformed of any excecontractors holding neg deterrent to the making able profits to Gover Gen. 278.)
- 2. All books, docume ing to the pricing and contracts are directly p

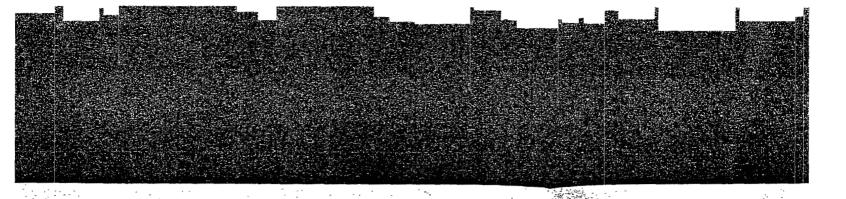
Proper evaluation of the matters determined to warrant more detailed examination requires consideration of all significant information concerning those matters. It is therefore necessary that all such information be made available to the General Accounting Office audit staff. Also important to a satisfactory audit are discussions with directly knowledgeable contractor individals, particularly when questions arise as the audit progresses. Effective communication is mutually beneficial. A common understanding and resolution insofar as possible of any differing views assists greatly the conduct of the audit work. It also has an important bearing on the conclusions reached and facilitates the processing of any resulting reports, including the subsequent preparation of advance comments on such reports by contractor officials.

## **Right of Access to Contractor Records for Audit Purposes**

The laws cited on page 6 require contract provisions giving the Comptroller General and his representatives the right to examine contractor records that are directly pertinent to, and involve transactions relating to, the contracts or subcontracts to be audited.

Based on a careful study of the laws involved and their legislative history, it is the position of the General Accounting Office with respect to this right that:

- 1. The clear intention of these laws is, among other things, "to afford a means whereby the Congress could be informed of any excessive or unreasonable payments to contractors holding negotiated contracts and to serve as a deterrent to the making of contracts providing for unreasonable profits to Government contractors." (32 Comp. Gen. 278.)
- 2. All books, documents, papers, and other records relating to the pricing and cost of performance of negotiated contracts are directly pertinent records.



3. Such books, documents, records, etc., are not limited to the formal cost accounting records and their supporting data, but include all underlying data concerning contract activities and operations which afford the basis for contract pricing and the incurrence of costs by the contractor.

The auditing of Government contracts by the General Accounting Office makes it necessary that directly pertinent contractor records be made available for examination and that effective arrangements be made to obtain supplementary information and explanations from knowledgeable contractor officials and employees. To this end, the working cooperation of all contractors is needed in order to facilitate the making of these audits. Such cooperation along with procedures designed to provide prompt access to needed records and related information is mutually advantageous because it reduces the Government and contractor time and cost incurred. Appropriate access to needed records and related information is essential to the discharge of responsibilities assigned to the General Accounting Office by the Congress.

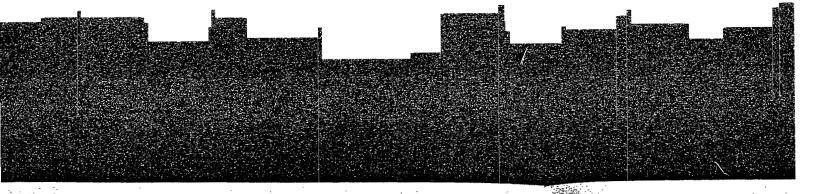
#### Final Conference at Contractor Location

Before completing audit work at a contractor location, a conference is held with contractor officials to provide a further opportunity to discuss any matters arising from the audit. The nature of all matters of interest to the contractor is made known sufficiently in advance of this conference to enable a meaningful meeting.

The primary purpose of this conference is to present to contractor officials the facts obtained during the review to promote a common understanding as to their accuracy and their applicability to the subject matter of the audit. At this time the contractor officials are afforded the opportunity to present additional information which they feel should be considered. If there is disagreement as to facts, additional work is done to clarify any question in this regard.

Although the discussions a preliminary nature and may General Accounting Office, s important part of the process information pertinent to reacconclusions by the Office relations are also of representatives about the audit Accounting Office encourages frank expression of their vie

Although the discussions at this point are necessarily of a preliminary nature and may not represent final positions of the General Accounting Office, such discussions are nevertheless an important part of the process of obtaining and evaluating all information pertinent to reaching independent and objective conclusions by the Office relating to the audit work performed. These discussions are also of value in informing contractor representatives about the audit work performed. The General Accounting Office encourages contractor officials to present a frank expression of their views on the matters discussed.



#### REPORTING POLICIES AND PRACTICES

#### **Primary Reporting Responsibility**

Since the General Accounting Office is an agent of the Congress, its primary reporting responsibility is to the Congress. Whether a report to the Congress is made as a result of a specific contract audit depends on the judgment made in the General Accounting Office as to the significance of the information obtained during the audit, the conclusions reached, and knowledge as to general or special interests of the Congress and its committees in procurement and contract matters.

In some cases, the findings and conclusions in a report may not be considered to be of sufficient significance to warrant reporting to the Congress but may still be of concern or interest to the contracting agency. In these cases, the reports are addressed to appropriate department or agency officials. In other cases, the audit work may have resulted in no significant findings, and a close-out letter to this effect is issued to the contractor.

## Nature of Reports

The audit reports of the General Accounting Office are intended to serve constructive purposes—to inform the Congress and/or the Federal agencies concerned on the results of audit work on procurement contracts which, in the aggregate, involve the expenditure of billions of dollars of public funds each year and to make recommendations, based on such work, leading to greater efficiency and economy in such expenditures.

The main emphasis of a General Accounting Office report to the Congress on a contract audit is on the audit findings, conclusions, and recommendations and their relation to the cost of goods or services procured by the Government in a particular case as well as in future procurements.

These audits and the resulting reports cannot provide and should not be regarded as overall evaluations of the performance of a contractor or of a contracting agency. Such an objective would usually be of such magnitude as to be incompatible with

the need for timely evalua which are in need of attentio does, however, make every significant information conc examination and to evaluand fairness.

To help provide perspect relative significance of the include general information contractor activities examin work performed, and other

## Preparation of Prelimin

Drafts of reports to the C first instance by the audit of drafts are reviewed first sent to the appropriate W General Accounting Office there are questions of legal be resolved or a recomment is involved, the Office of the in Washington is requested needed revisions from a legal

#### Advance Review by C Contractor

After such revision of the in the Washington office, a 1 are sent to officials of the tractor for such comment as conclusions, and recommen

The purpose of this step tractor concerned an adequ written statements of their submit such additional fac matters as they believe may the report. the need for timely evaluation and reporting on the aspects which are in need of attention. The General Accounting Office does, however, make every effort to obtain and consider all significant information concerning the particular aspects under examination and to evaluate those aspects with objectivity and fairness.

To help provide perspective and enable appreciation of the relative significance of the matters reported, the audit reports include general information about the Government agency and contractor activities examined, the nature and scope of audit work performed, and other information of significance.

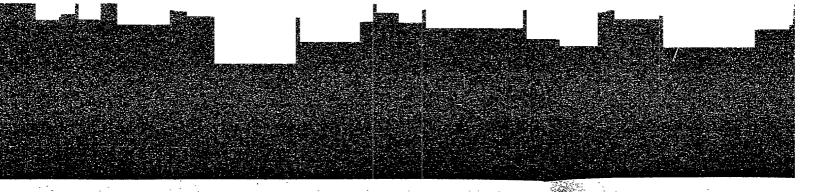
#### Preparation of Preliminary Drafts of Reports

Drafts of reports to the Congress are usually prepared in the first instance by the audit staffs who made the audits. These drafts are reviewed first in the local regional office and then sent to the appropriate Washington operating division of the General Accounting Office for consideration. At this point, if there are questions of legal policy or interpretation of law to be resolved or a recommendation for adjustment of the price is involved, the Office of the General Counsel which is located in Washington is requested to review the drafts and advise on needed revisions from a legal standpoint.

## Advance Review by Contracting Agency and by Contractor

After such revision of the draft as may be found to be needed in the Washington office, a revised draft is prepared and copies are sent to officials of the contracting agency and to the contractor for such comment as they wish to make on the findings, conclusions, and recommendations proposed to be reported.

The purpose of this step is to give the agency and the contractor concerned an adequate opportunity to provide official written statements of their views on the matters included and to submit such additional factual information bearing on those matters as they believe may not have been considered in drafting the report.



Comments on a draft report are requested by letter in which a target date for reply is established. The purpose of these dates is to provide a reasonable length of time to effectively respond but to avoid unwarranted prolongment in officially reporting to the Congress on the results of audit work. The usual length of time given contractors is 30 days. Whenever a contractor advises that he cannot respond in such period, reasonable extensions are made.

#### Review and Disposition of Advance Comments

The official written comments received from the contracting agency and the contractor concerned are carefully analyzed in the General Accounting Office and appropriate changes are made in the draft of the report to give recognition to such comments. Disagreements with the findings and conclusions being reported are clearly disclosed in the report.

If significant changes are made in the report after considering the advance comments, another opportunity is afforded the contracting agency and the contractor to examine the revised draft and to comment further on it.

In preparing the final report for submission to the Congress, the normal practice is to include the written comments of the contracting agency and the contractor in the appendix to the report. There are certain exceptions to this practice. For example, comments are not included when they are too voluminous in relation to the size of the report, when they pertain to matters dropped in the final report, or when they are not directly pertinent to the reported findings, conclusions, and recommendations. In any case, whether the comments are included in the final report or not, the text of the report itself sets out the gist of the pertinent comments and the views of the General Accounting Office on them.

#### Confidential Business Data

As a part of General Accounting Office audits of Government contractors, it is often necessary to obtain information about contractor operations, production costs, and profits. It is also

sometimes necessary to include these audits in order to cleusions. It is the position that, since these audit report by law, the restraint on the proprietary business informatis not applicable to its report

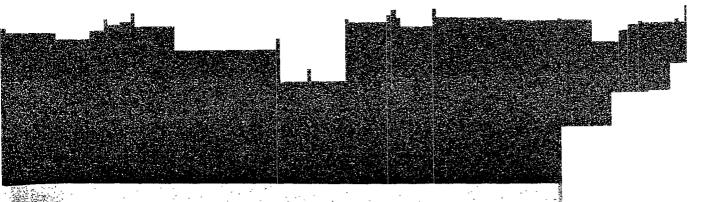
The General Accounting for properly reporting on importance, but that it shou disclosure of confidential the reports. It is therefore the in which confidential busing require a review by senior. Office and their determination view of the nature of the retion is made in advance of reby third parties.

#### Recommendations in 5

The audit reports of the G contain recommendations for to be taken. These recommendations to Government agency officiate to the Congress. These recommendations are based on independent the activities, transactions, c such recommendations. T having administrative resport to the contractors.

The audit policies of the ( that each Government age determine, with due regard requirements, the manner in are carried out. General auditors are not empowere contractor) policies, proce

However, they do observe



sometimes necessary to include such information in reports on these audits in order to clearly explain audit findings and conclusions. It is the position of the General Accounting Office that, since these audit reports to the Congress are authorized by law, the restraint on the disclosure of trade secrets and other proprietary business information incorporated in 18 U.S.C. 1905 is not applicable to its reports.

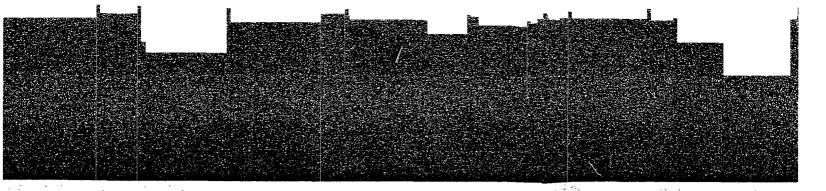
The General Accounting Office believes that its responsibility for properly reporting on its audit findings is of paramount importance, but that it should do its utmost to avoid unnecessary disclosure of confidential business information in its published reports. It is therefore the practice, with respect to every report in which confidential business information is to be disclosed, to require a review by senior officials of the General Accounting Office and their determination that such disclosure is necessary in view of the nature of the report. This review and determination is made in advance of release of draft reports for comments by third parties.

## Recommendations in Reports

The audit reports of the General Accounting Office frequently contain recommendations for corrective or improvement action to be taken. These recommendations are most often directed to Government agency officials, but sometimes they are addressed to the Congress. These recommendations are advisory in nature and are based on independent examination and evaluation of the activities, transactions, or operations that are the subject of such recommendations. They are addressed to the agencies having administrative responsibility for the contracts rather than to the contractors.

The audit policies of the General Accounting Office recognize that each Government agency has the primary responsibility to determine, with due regard to all applicable restrictions and requirements, the manner in which its activities and operations are carried out. General Accounting Office accountants and auditors are not empowered to direct changes in agency (or contractor) policies, procedures, and functions.

However, they do observe opportunities for achieving greater



economy, improving efficiency, and obtaining better results. When warranted, recommendations are made through appropriate channels for simplifying and developing more effective procedures and for eliminating those which involve duplication or which do not serve a purpose commensurate with the costs involved. The experience of the General Accounting Office has been that its independent audit work provides an effective means of identifying significant deficiencies, the correction of which can result in substantial savings in Federal expenditures or significant improvements in Federal Government operations.

#### Distribution of Reports

Reports submitted to the Congress are addressed to the President of the Senate and to the Speaker of the House of Representatives.

Copies of reports relating to contractors are sent to the contractors directly concerned at the same time that the original reports are submitted to the Congress. Special procedures are followed to assure that these contractors receive their copies before the reports become available to the public.

Copies of reports to the Congress are also sent to the Secretary of the Treasury; the Director, Bureau of the Budget; the Senate and House Committees on Appropriations; the Senate and House Committees on Government Operations; the appropriate legislative committees of the Senate and the House; members of the Congress from the districts in which the activities reported on are located; others in the Congress as requested; and department or agency officials concerned with the subject matter of the reports.

Copies of reports to the Congress are generally available to the public. Public notice of the issuance of these reports appears in the Congressional Record at the time they are recorded as a communication received by the Congress. Individual copies may be purchased at the price of \$1 from the Report Department of the General Accounting Office.

#### INTERNATIONAL PROG CONTRACTS

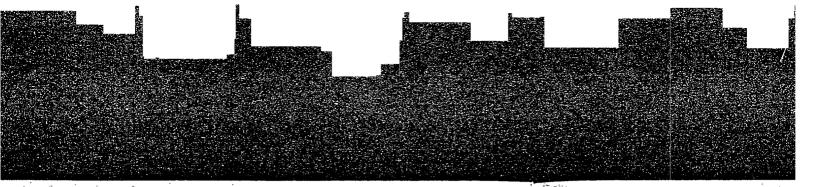
Some Federal agencies v. in activities that have unique and contract audit standpoir some form of foreign assistan participate in the procurement may not be one of the cont

Thus, although a contract foreign government, the firdegree of control in vario proposed prices, approval chills, invoices, vouchers, cert support of contract disburse performance. Although in this booklet would apply, econsideration of the specific

## INTERNATIONAL PROGRAMS INVOLVING CONTRACTS

Some Federal agencies with international programs engage in activities that have unique characteristics from a contracting and contract audit standpoint. These activities usually involve some form of foreign assistance whereby the agencies finance and participate in the procurement of goods or services but may or may not be one of the contracting parties in the normal sense.

Thus, although a contract may be between a supplier and a foreign government, the financing U.S. agency often retains a degree of control in various ways, including the analysis of proposed prices, approval of contract arrangements, review of bills, invoices, vouchers, certifications and related documents in support of contract disbursements, and verification of contract performance. Although in general the procedures described in this booklet would apply, each audit would be subject to the consideration of the specific circumstances of each agreement.



## EXCEPTIONS AND DISALLOWANCES BY THE GENERAL ACCOUNTING OFFICE

The General Accounting Office has certain other statutory responsibilities which may involve contractors. One of these is the responsibility to settle claims and accounts by and against the United States under 31 U.S.C. 71. This responsibility includes the settlement of the accounts of certifying and disbursing officers of the Government. In carrying out this responsibility, exceptions are taken in the accounts of these accountable officers for payments not authorized by law or by the terms of the contracts or when additional information is needed to document transactions. These exceptions become disallowances in final settlement of the accountable officers' accounts unless they are answered satisfactorily prior to that action.

In those cases where an exception or disallowance is made and the amount involved is collected by the accountable officer by setoff against amounts otherwise due a contractor, the contractor may file a claim with the General Accounting Office for refund of the amount involved. Any such claim should set forth fully the reasons why, in the contractor's opinion, the amount collected should be repaid.

The allowability of costs for reimbursement under Government cost-reimbursement type contracts, as determined by the designated official agreed upon in such contracts, is final and conclusive on the Government, as well as on the contractor, absent fraud or a showing that the determination is arbitrary or capricious, or is so grossly erroneous as to imply bad faith, or is not supported by substantial evidence, or is contrary to law. A finding by the General Accounting Office that an item of cost duly approved under the contract is unreasonable is not legal grounds for denying reimbursement to the contractor or credit to the account of the accountable officer. However, such a finding may be included in a report to the Congress or to the agency concerned to disclose the facts and circumstances involved.

# Excerpts From Laws A. Responsibility to the C.

Budget and Accounting Act

"(a) The Comptroller Comptroll

"(b) He shall make such be ordered by either House c either House having jurisdic or expenditures. The Com request of any such committ to furnish the committee su request.

"(c) The Comptroller Congress every expenditure or or establishment in any year

"(d) He shall submit to ( and effectiveness of the adm and claims in the respective c

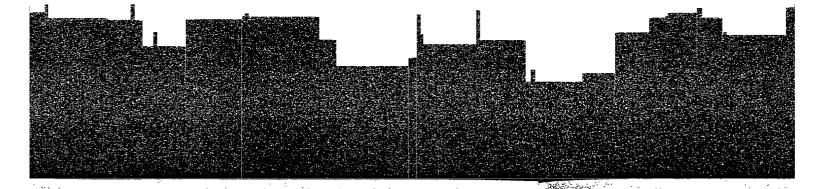
22

## APPENDIX

# Excerpts From Laws Assigning Audit Authority and Responsibility to the General Accounting Office

Budget and Accounting Act, 1921 (31 U.S.C. 53)

- "(a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.
- "(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.
- "(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.
- "(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and



#### APPENDIX

upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers."

Budget and Accounting Procedures Act of 1950 (31 U.S.C. 67)

"Except as otherwise specifically provided by law, the financial transactions of each executive, legislative, and judicial agency, including but not limited to the accounts of accountable officers, shall be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In the determination of auditing procedures to be followed and the extent of examination of vouchers and other documents, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control, and related administrative practices of the respective agencies."

## Armed Services Procurement Act (10 U.S.C. 2313(b))

"Each contract negotiated under this chapter shall provide that the Comptroller General and his representatives are entitled, until the expiration of three years after final payment, to examine any books, documents, papers, or records of the contractor, or any of his subcontractors, that directly pertain to, and involve transactions relating to, the contract or subcontract."

## Federal Property and Administrative Services Act (41 U.S.C. 254(c))

"All contracts negotiated without advertising pursuant to authority contained in this chapter, chapter 11G of Title 5, chapter 10 of Title 40, and chapter 11 of Title 44 shall include a clause to the effect that the Comptroller General of the United States or any of his duly authorized representatives shall until the expiration of three years after final payment have access to and the right to examine any directly pertinent books, documents, papers, and records of the contractor or any of his subcontractors

engaged in the performance to such contracts or subcont

#### Atomic Energy Act (42 U.S.

"No moneys appropriated shall be available for payr. Commission, negotiated wit with any foreign government with foreign producers, unle to the effect that the Compt or any of his duly authorized piration of three years after f right to examine any directly and records of the contrac engaged in the performance related to such contracts or That no moneys so appropria under such contract which audit by the General Accounsuch contract: And provide tion shall preclude the earli contractor records in accorda agreed upon between the Cc ing Office."

#### Anti-Kickback Act (41 U.S.

"For the purpose of ascert sions, compensation, gifts, or by a subcontractor, the Ger the power to inspect the p records of any prime contrac performance of a negotiated



engaged in the performance of and involving transactions related to such contracts or subcontracts."

Atomic Energy Act (42 U.S.C. 2206)

"No moneys appropriated for the purposes of this chapter shall be available for payments under any contract with the Commission, negotiated without advertising, except contracts with any foreign government or any agency thereof and contracts with foreign producers, unless such contract includes a clause to the effect that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment, have access to and the right to examine any directly pertinent books, documents, papers, and records of the contractor or any of his subcontractors engaged in the performance of, and involving transactions related to such contracts or subcontracts: Provided, however, That no moneys so appropriated shall be available for payment under such contract which includes any provision precluding an audit by the General Accounting Office of any transaction under such contract: And provided further, That nothing in this section shall preclude the earlier disposal of contractor and subcontractor records in accordance with records disposal schedules agreed upon between the Commission and the General Accounting Office."

## Anti-Kickback Act (41 U.S.C. 53)

"For the purpose of ascertaining whether such fees, commissions, compensation, gifts, or gratuities have been paid or granted by a subcontractor, the General Accounting Office shall have the power to inspect the plants and to audit the books and records of any prime contractor or subcontractor engaged in the performance of a negotiated contract."

# ROUTING SLIP

TAN: 706188 DATE: 8/20/79

1st Catalog Index

K) 8/21/19

Initial Q.C. Abstract

Elling

2nd Catalog Final Q.C.

K) 8/21/11

706188

BEST DOCUMENT AVAILABLE